

Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, DC 20554

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF SECRETARY

In the Matter of:

United States Telephone Association Petition            )  
for Rulemaking to Amend Part 32 of                    )  
the Commission's Rules to Eliminate Detailed        )  
Property Records for Certain Support Assets        )       RM-8640

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COMMENTS  
of the  
UNITED STATES TELEPHONE ASSOCIATION

The United States Telephone Association (USTA) respectfully submits these comments in the above-referenced proceeding. USTA is the principal trade association of the local exchange carrier (LEC) industry with over 1,000 members. USTA filed the Petition for Rulemaking requesting that the Commission eliminate the detailed continuing property records (CPRs) for certain support accounts that is at issue in this proceeding.

USTA urges the Commission to act expeditiously and grant its petition. The petition provides a simple and economical method of increasing LEC operating efficiencies which is reflective of the increasingly competitive telecommunications environment.<sup>1</sup> Further, given that the support assets included in the petition are relatively insignificant to LECs' overall financial positions, the Commission could better utilize its limited resources by reducing the current regulation of account balances that are relatively small.

In the Public Notice, the Commission expresses concern regarding the adequacy of internal controls in the absence of CPRs. The continuing efficacy of the Commission's existing CPR rules must be analyzed in a more contemporary context. LECs expend an extremely disproportionate amount of resources in tending to extensive recordkeeping for immaterial

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<sup>1</sup>See, Price Cap Performance Review for Local Exchange Carriers, CC Docket No. 94-1, First Report and Order, released April 7, 1995.

assets.<sup>2</sup> Should the Commission grant the petition, existing internal controls would continue to provide the means of safeguarding the assets included in the petition - as well as their location and existence. CPRs do not serve to safeguard support assets. Discontinuing CPRs would not harm LECs' ability to provide control over their assets. LECs' existing internal controls, an integral part of financial management, have provided, and will continue to provide, that function.

Internal controls are quite independent of the Commission's CPR rules. Further, CPRs are redundant in the overall scheme of financial management. To alleviate its concerns about the Petition, the Commission should consider the following points:

- Neither vintage amortization nor CPRs can assure the location, existence and cost of support assets; rather, general internal controls - such as limited physical access to LEC buildings, assignment of support assets to specific employees' work stations, and budgetary responsibilities and initiatives - all help ensure that LECs wisely use the resources necessary to purchase and maintain these assets. In the increasingly incentive-oriented environment, it is LEC shareholders, not ratepayers, who bear the risk of poor control over support and other assets.
- The annual audit that virtually all LECs conduct each year, for either regulatory and/or other financial purposes, assures the Commission and other interested parties that LECs' financial statements are fairly presented. An integral part of this audit process is a review of internal controls over all aspects of a LEC's financial management, including that of support assets.

Furthermore, the Commission's most recent increase in the expense limit for support assets<sup>3</sup> mandated an amortization pattern quite similar to that proposed for support assets, so the practice of vintage amortization for regulatory purposes is not a novel idea; it in fact is an existing practice at the Commission.

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<sup>2</sup>Petition at p. 4.

<sup>3</sup>In *The Matter of Amendment of Part 31, Uniform System of Accounts for Class A and Class B Telephone Companies as it Relates to the Treatment of Certain Individual Items of Furniture and Equipment Costing \$500 or Less*, Report and Order, CC Docket No. 87-135, released July 22, 1988.

For the aforementioned reasons, USTA urges the Commission to grant its petition and initiate a rulemaking promptly.

Respectfully submitted,

**UNITED STATES TELEPHONE ASSOCIATION**

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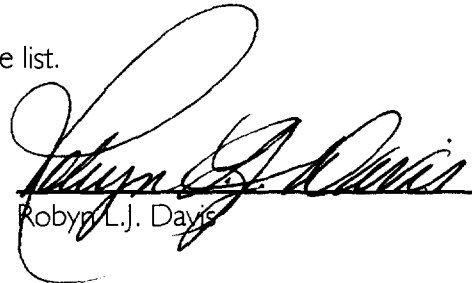
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July 5, 1995

CERTIFICATE OF SERVICE

I, Robyn L.J. Davis, do certify that on July 5, 1995 copies of the Comments of the United States Telephone Association were either hand-delivered, or deposited in the U.S. Mail, first-class, postage prepaid to the persons on the attached service list.

  
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